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NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS

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December 16, 1997

Ms. Cynthia L. Johnson
Cash Management Policy and Planning Division
Financial Management Service
U.S. Department of the Treasury, Room 420
401 14th Street, SW
Washington, DC 20227

Dear Ms. Johnson:

On behalf of the National Association of Federal Credit Unions, the only trade association that exclusively represents the interests of our nation's federal credit unions, we appreciate the opportunity to comment on Treasury's proposal to implement the congressional mandate to convert all federal payments to electronic systems by 1999. On the whole, NAFCU member credit unions stand ready to assist the government in this difficult task to the extent that our resources and federal law permit.

Treasury is encouraging as many recipients of government payments as possible to establish a relationship with a financial institution into which payments can be made automatically. Credit unions are already assisting in this process by conducting campaigns among their fields of membership that will make potential members aware of the availability of credit union services for these purposes. Treasury's primary problem is finding a resource for distribution of payments to the many federal payment recipients who have no relationship with a credit union or other service provider. Treasury proposes to ask for bids from financial institutions who will provide payment services on a regional basis to these unserved recipients.

Every NAFCU member responding to our survey indicated they are ready and able to provide any government payment recipient who qualifies for credit union membership with the necessary electronic transfer facilities. Credit unions believe the best solution to Treasury's problem is to allow recipients to choose a financial institution. Treasury might find this process to be more effective if it made available to its list of unserved recipients information about the availability of credit union services. This might augment present, ongoing efforts conducted by the credit unions themselves.

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Credit unions responding to our survey also indicated they may be willing to provide service to all government recipients, provided the government waives restrictions on credit union service to parties outside their fields of membership. Credit unions have a proud history of government service. When no other financial institutions would serve military bases overseas, for example, credit unions volunteered to do so. (The banks have recently begun to see these facilities as profit centers and are moving into this area.) Credit unions see service to these unserved recipients of Treasury checks as an extension of that tradition. On the whole, credit unions believe that as federal instrumentalities, they have a duty to provide this service to the government.

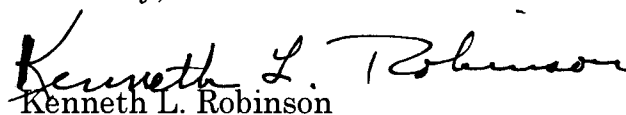
Credit unions do not believe it is necessary to provide full service to the recipients of government payments, and many oppose allowing full service to non-members because it would take away from their focus on member service. Some member credit unions say that as a practical matter it is difficult to separate full members and others who only hold a government mandated account at the credit union, and would like the option of providing full service.

Most credit unions do not have the resources to handle services to an entire region, but some larger institutions believe they may be in a position to bid on services, and some corporate credit unions are also looking into the possibility of bidding. Credit unions believe they could provide the necessary services in cooperation with other credit unions and possibly their corporate credit union.

Credit unions believe that transaction fees charged should be the same for recipients of federal payments as those charged to other members. NAFCU members are divided on the question of whether the Treasury should regulate fees. Overall, however, they are concerned that credit unions are able to recoup the cost of these transactions, whether from the government or from the users of the system, and that no costs be passed to credit union members. Credit unions believe standard consumer protections should be afforded users of this payment system.

Thank you again for the opportunity to comment on Treasury's EFT 99 proposal. If you have any questions please contact me or Tim Pryor, NAFCU's Director of Regulation and Compliance at 703-522-4770.

Sincerely,


Kenneth L. Robinson
President

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